

WEST YORK AREA SCHOOL DISTRICT
YORK COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2010

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Rodney E. Drawbaugh, Board President
West York Area School District
2605 West Market Street
York, Pennsylvania 17404

Dear Governor Rendell and Mr. Drawbaugh:

We conducted a performance audit of the West York Area School District (WYASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period October 15, 2007 through April 28, 2010, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the WYASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the one finding noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit finding and recommendations have been discussed with WYASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve WYASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the WYASD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

December 27, 2010

cc: **WEST YORK AREA SCHOOL DISTRICT** Board Members

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the West York Area School District (WYASD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the WYASD in response to our prior audit recommendations.

Our audit scope covered the period October 15, 2007 through April 28, 2010, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2007-08 and 2006-07.

District Background

The WYASD encompasses approximately 21 square miles. According to 2000 federal census data, it serves a resident population of 21,356. According to District officials, in school year 2007-08 the WYASD provided basic educational services to 3,160 pupils through the employment of 241 teachers, 179 full-time and part-time support personnel, and 18 administrators. Lastly, the WYASD received more than \$8.6 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the WYASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

Finding: Inadequate Internal Controls Resulted in Unverifiable Transportation Reimbursements. Our audit of pupil transportation records found inadequate internal controls that resulted in our inability to confirm mileage averaging data, the accuracy of the number of days pupils were transported, and pupil counts (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the WYASD from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the WYASD:

- had not taken appropriate corrective action in implementing our recommendations pertaining to transportation reimbursement underpayments (see page 10).
- had taken appropriate corrective action in implementing our recommendations pertaining to improperly claiming instructional time for field trips (see page 11).
- had taken appropriate corrective action in implementing our recommendations pertaining to board members failing to

file Statements of Financial Interests
(see page 11).

- had taken appropriate corrective action in implementing our recommendations pertaining to the Memoranda of Understanding not being updated timely (see page 12).

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each Local Education Agency (LEA). The results of these audits are shared with LEA management, the Governor, the PA Department of Education, and other concerned entities.

Our audit, conducted under authority of 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period October 15, 2007 through April 28, 2010.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Department of Education (DE) reporting guidelines, we use the term school year rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

Objectives

What is the difference between a finding and an observation?

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a law, regulation, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as, laws, regulations, and defined business practices. Our audit focused on assessing the WYASD's compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?
- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, reasons for the termination/settlement, and do the current employment contract(s) contain adequate termination provisions?

- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

Methodology

What are internal controls?

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations;
- Relevance and reliability of operational and financial information;
- Compliance with applicable laws, regulations, contracts, grant requirements and administrative procedures.

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings, observation and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

WYASD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, regulations, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented.

Any significant deficiencies found during the audit are included in this report.

In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies/reimbursement, pupil membership and pupil transportation.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.
- Deposited state funds.

Additionally, we interviewed selected administrators and support personnel associated with WYASD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 25, 2008, we reviewed the WYASD's response to DE dated January 20, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Inadequate Internal Controls Resulted in Unverifiable Transportation Reimbursements

Criteria relevant to the finding:

Instructions for completing DE's End of Year summary reports of pupil transportation data require that local education agencies (LEA) report the number of miles per day, to the nearest tenth, that vehicles traveled with and without pupils. If this figure changes during the year, LEAs are to calculate a weighted average or sample average. LEAs are also to report the number of days the vehicle provided to and from school transportation. Only days on which transportation is actually provided may be reported.

In addition, the instructions require that LEAs report the greatest number of pupils assigned to ride the vehicle at any one time during the day. LEAs are to report the number of pupils assigned to the nearest tenth. The number cannot exceed the seating capacity. If the number of pupils assigned changes during the year, LEAs are to calculate a weighted average or a sample average.

DE's instructions further state:

For the weighted average method for miles, the LEA must maintain records of Miles with Pupils and Miles without Pupils data for each vehicle. . . . Weighted averages should be rounded to the nearest tenth.

Our audit of pupil transportation records for the 2007-08 and 2006-07 school years found inaccurate mileage computations and inadequate internal controls, which resulted in our inability to verify the accuracy of mileage data submitted to the Department of Education (DE) for both school years. In addition, errors were found in the number of days transportation and in pupil count data that was provided for the 2006-07 school year. Our inability to verify and confirm the accuracy of the mileage data reported resulted in unverifiable transportation reimbursements of \$410,619 and \$458,340 for the 2006-07 and 2007-08 school years, respectively.

Daily Mileage Averages

Our audit of mileage data for the 2007-08 and 2006-07 school years found that there were vans transporting pupils to schools within and outside the District. Our audit found that when the transportation software program determined that one or more of the van runs had not been completed, based on school calendars entered by District personnel, the program adjusted miles with and without pupils based on the mileage data entered for the original runs. The adjustments were inaccurate because they did not reflect the actual miles traveled. We further noted that District personnel were not aware the software program made automatic adjustments to the mileage data when van runs changed from their original routes.

Adjustments based on the transportation program were noted for 3 vans of the 11 vehicles (vans and buses) we tested for the 2006-07 school year. Further review of the transportation mileage printouts for the remaining vans identified similar mileage adjustments made by the transportation software for 8 additional vans (i.e., 11 of 18 vans had errors in 2006-07); 16 of 17 vans had errors in 2007-08. Since odometer readings were not taken on the dates when the van runs changed and the software made adjustments that were not based on actual mileage, we were unable to determine the actual miles with and

Criteria relevant to the finding:

DE's instructions for using the sample average method state:

Once during each month from October through May . . . measure and record:

1. The number of miles the vehicle traveled with students,
2. The number of miles the vehicle traveled without students,
3. The number of students *assigned* to ride the vehicle at any one time during the day.

At the end of the school year, calculate the average of the eight measurements for each of the three variables. These averages are called sample averages.

without pupils in order to revise the reported mileage submitted to DE for reimbursement.

We also found that District personnel had made data input errors when entering odometer readings into the computer for 7 of the 11 vehicles tested for the 2006-07 school year. Our audit confirmed that there were also data input errors in mileage for the 2007-08 school year. These data input errors resulted in over and understatement in the reported miles with and without pupils.

Finally, errors in the number of days transportation was provided affected the mileage average calculations for miles with and without pupils for 1 of the 11 vehicles tested in 2006-07.

Mileage was calculated on a daily basis based on the odometer readings taken once a month between August and April. As noted above, there were also adjustments that had been processed by the transportation software program. The District's mileage calculation was a hybrid of the "weighted average" (which accounts for daily mileage changes) and the "sample average" (which requires eight monthly odometer readings from October through May), DE's acceptable methods as described in their end of year instructions. District personnel should use one method or the other, not a hybrid method.

District personnel did not reconcile the District's computerized transportation data printouts to the supporting documentation. As a result, District personnel were not aware that the transportation software program made adjustments, or that clerical data input errors had occurred. The lack of internal controls resulted in the errors not being detected prior to submission of reports to DE.

Days Transportation Was Provided

Our audit found that there were errors in the number of days transportation was provided for 2 of the 11 vehicles tested for the 2006-07 school year. For the first vehicle, the District used an incorrect start date, which resulted in an understatement of the number of days the vehicle provided transportation. For the second vehicle, the District could not explain the difference between the number of days the vehicle provided transportation as computed by the

District's software program and the number of days reported to DE.

District personnel did not have any review procedures to reconcile the number of days vehicles actually provided transportation, the number of days computed by the District's software program, and the number of days that District personnel reported to DE.

Pupil Averages

The pupil averages were incorrectly computed due to inaccurate reporting of the number of days transportation was provided for 1 of 11 vehicles tested for the 2006-07 school year.

In addition, District personnel entered an incorrect pupil withdrawal date for one student into the software program, which resulted in an inaccurate pupil average for another of the 11 vehicles tested for the 2006-07 school year.

These errors went undetected due to District personnel not performing any reconciliation procedures to ensure transportation software printouts agreed with supporting documentation.

Recommendations

The *West York Area School District* should:

1. Review DE's instructions to determine which method ("weighted average" or "sample average") the District is going to use to report mileage.
2. Develop review procedures to ensure that all changes to miles with and without pupils, including any adjustments made by the transportation software, are supported by odometer readings that are then retained for audit verification.
3. Develop review procedures that will ensure that transportation data printouts (mileage, days transportation was provided, and pupil data) are compared to supporting documentation for accuracy prior to submission of data to DE.

4. Review transportation data for mileage, days transported, and pupil counts for subsequent years and submit revised reports to DE if errors are found.

Management Response

Management stated the following:

We agree with the finding but not the amount shown as questionable cost. The amount shown is the total reimbursement, the error may result in additional funds due the West York Area School District, but the West York Area School District will not be receiving the figure of \$868,959 in additional revenue.

Computer Adjustments:

The error is a result of our computer program and adjustments made in the program. We have contacted our provider and will adjust the way entries are made to correct the situation.

Clerical Errors:

The clerical data input errors will be corrected by having the primary person responsible review their work and comparing the reports to entry data. After this primary review a second individual will review to confirm the accuracy.

Auditor Conclusion

Management is correct that \$868,959 is the total of the transportation reimbursements received for the 2006-07 and 2007-08 school years, not an over or underpayment amount. As a result of management's above response to our draft finding, we have removed the word "questionable" from the finding in order to clarify that the reimbursements were unverifiable.

Status of Prior Audit Findings and Observations

Our prior audit of the West York Area School District (WYASD) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in three reported findings and one observation, as shown in the following table. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the WYASD superintendent's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the WYASD did not adequately implement recommendations related to the transportation reimbursement finding, but did implement recommendations pertaining to improperly claiming instructional time for field trips, board members failing to file Statements of Financial Interests, and Memoranda of Understanding (MOU).

<i>School Years 2005-06, 2004-05, 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><i><u>I. Finding No. 1:</u></i> <i><u>Transportation</u></i> <i><u>Reimbursement</u></i> <i><u>Underpayments of \$100,810</u></i></p> <ol style="list-style-type: none"> 1. Establish an internal review procedure to ensure the accuracy of mileage and pupil average calculations, and to ensure data was reported for all buses, prior to transportation data being reported to DE. 2. Review the report for the year subsequent to the current audit period and submit revised reports to DE if errors were found. 3. DE should adjust the District's allocations to resolve the transportation reimbursement underpayments in the amount of \$100,810. 	<p>Background:</p> <p>Our prior audit of the District's transportation reports for the 2005-06, 2004-05, 2003-04 and 2002-03 school years found errors in the data reported to DE, resulting in transportation reimbursement underpayments of \$100,810.</p>	<p>Current Status:</p> <p>During our current audit District personnel indicated that they had implemented review procedures beginning with the 2008-09 school year. However, personnel could not provide documentation to support the review procedures. The effectiveness of the procedures will be determined in the next audit.</p> <p>Our current audit also found that while District personnel indicated that they had reviewed subsequent years' reports, the review did not detect the errors noted in Finding No. 1 of this report (see page 6).</p> <p>Due to additional information available to DE subsequent to our audit, DE revised the total underpayments from \$100,810 to \$101,529.</p>

		<p>DE resolved transportation reimbursement underpayments in the amount of \$51,213 on February 25, 2010, and notified the District that the outstanding balance of \$50,316 would be paid on April 29, 2010.</p>
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<p><u>II. Finding No. 2: Improperly Claiming Instructional Time for Field Trips When Admission Cost Was Paid by the Students</u></p> <ol style="list-style-type: none"> 1. Comply with provisions of Section 1501 of the Public School Code and do not claim instructional time for students participating in curricular field trips for which they have paid admission costs. 2. Contact DE personnel for guidance as to how to correctly account for the reduction in instructional time in such circumstances. 	<p>Background:</p> <p>Our prior audit found that district authorized 138 curricular field trips and that students were required to pay admission costs for 18 such trips. Our review of District membership records also found that students attending these curricular field trips were included in membership without any instructional time adjustment.</p>	<p>Current Status:</p> <p>Our current audit of 2007-08 field trip forms did not find any field trips taken in which students were required to pay admission costs. Therefore, it was determined that the District was in compliance with Section 1501 of the Public School Code.</p> <p>Our current audit found that, as a result of a policy change which established that students are no longer required to pay admission for curricular field trips, District personnel did not need further guidance from DE.</p>
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<p><u>III. Finding No. 3: Board Members Failed to File Statements of Financial Interests in Violation of the Public Official and Employee Ethics Act.</u></p> <ol style="list-style-type: none"> 1. Seek the advice of the District's solicitor in regard to the board's responsibility when a board member fails to file a Statement of Financial Interests. 2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so 	<p>Background:</p> <p>Our prior audit of District records found that one former board member failed to file his Statement of Financial Interests for the 2005 and 2004 calendar years. Additionally, we found that a current board member had failed to file his Statement of Financial Interests for the 2004 calendar year.</p>	<p>Current Status:</p> <p>Our current audit found that the Superintendent contacted the board's solicitor and obtained his advice in regard to the board's responsibility when a board member fails to file a Statement of Financial Interests.</p> <p>Our audit of the 2008 Statements of Financial Interests found that notification and follow-up procedures developed by District personnel subsequent to our last audit appear to be adequate, since all individuals required to file Statements of</p>
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<p>in compliance with the Ethics Act.</p>		<p>Financial Interests had done so in compliance with the Ethics Act.</p>
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<p><u>IV. Observation:</u> <u>Memoranda of Understanding Not Updated Timely</u></p> <ol style="list-style-type: none"> 1. The administration, in consultation with the District’s solicitor, should review, update, and re-execute the current MOUs between the District and two local law enforcement agencies. 2. Adopt a policy requiring the administration to review and re-execute the MOUs every two years. 	<p>Background:</p> <p>Our prior audit of the District’s records found that the MOUs between the District and two local law enforcement agencies were signed July 6, 2000, and October 2, 1998, and had not been updated.</p>	<p>Current Status:</p> <p>Our current audit found that MOUs were updated every two years since the last audit.</p> <p>Our current audit found that the District had not adopted a policy requiring administration to review and re-execute the MOU every two years, but had instead put the dates that the MOUs need to be updated into the District’s board agenda calendar that is used to identify when actions need to be taken.</p>
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Distribution List

This report was initially distributed to the superintendent of the school district, the board members, our website address at www.auditorgen.state.pa.us, and the following:

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